

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Chippewa County Health Department	County Chippewa
Fiscal Year End September 30, 2007	Opinion Date February 26, 2008	Date Audit Report Submitted to State March 29, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

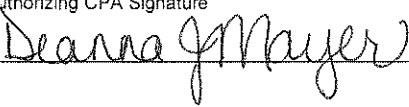
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature 		Printed Name Deanna J. Mayer, CPA	
		License Number 1101028546	

Chippewa County Health Department

BASIC FINANCIAL STATEMENTS

September 30, 2007

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Health
Chippewa County Health Department
Sault Ste. Marie, Michigan 49783

We have audited the accompanying financial statements of the governmental activities and major fund of the Chippewa County Health Department (a component unit of Chippewa County, Michigan), as of and for the year ended September 30, 2007, which collectively comprise the Health Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Health Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Chippewa County Health Department, as of September 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 26, 2008 on our consideration of the Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparisons as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Health Department's basic financial statements. The individual program statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

February 26, 2008

Management's Discussion and Analysis

This section of the Health Department's annual financial report presents our discussion and analysis of the Health Department's financial performance during the fiscal year ended September 30, 2007. Please read it in conjunction with the Health Department's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Health Department's FY 2007 grant funding remained relatively stable in nominal dollars, with most program funding decreasing when measured in constant dollars. It is anticipated that most FY 2008 grant funding will follow this pattern. There were no County general appropriations to the Health Department in Fiscal 2007. No general appropriations are anticipated for FY 2008, and it is anticipated that the County will no longer reimburse Board of Health expenses.

The Health Department's colorectal cancer screening grant was cut off mid-year in FY 2007, but in FY 2008 there is an increase in the program funding. The school based health center continued to grow in FY 2007. A 3-year operating grant was awarded for a school-based clinic in the Sault Area Schools for FY 2006 through 2008. Fiscal 2008 grant funding for this program continues at \$175,000. There is a high likelihood of continuation funding for this clinic beyond FY 2008. An expansion of the tobacco prevention program is anticipated in FY 2008 through a grant obtained from Blue Cross Blue Shield of Michigan. The Environmental Health division received two separate grants during FY 2007 related to water quality issues in the St. Mary River, particularly around the north shore of Sugar Island. It is likely that there will be some continuation of this funding in FY 2008. Funding for pandemic influenza preparedness is anticipated to end after July 2008.

The Home Health & Hospice division continues to be a significant source of support for Environmental Health and Personal & Family Health programs. Growth from the closure of another home health agency in 2006 has been sustained to date. As of January 1, 2008 the Medicare payment system for home health services is being adjusted significantly. While this should not have a long-term detrimental affect on the Health Department, there could be some cash flow issues as we adjust to the new system and the bugs are worked out at the intermediary payer level. The CMS plan to launch a Medicare "Pay for Performance" payment system is still being tested. While we do not anticipate this having the drastic affect that the change from full cost reimbursement to PPS had, there is a possibility that home health revenues could be negatively affected. Should that happen, the problems caused by the high percentage of program losses, particularly in the Environmental Health program, will be exacerbated.

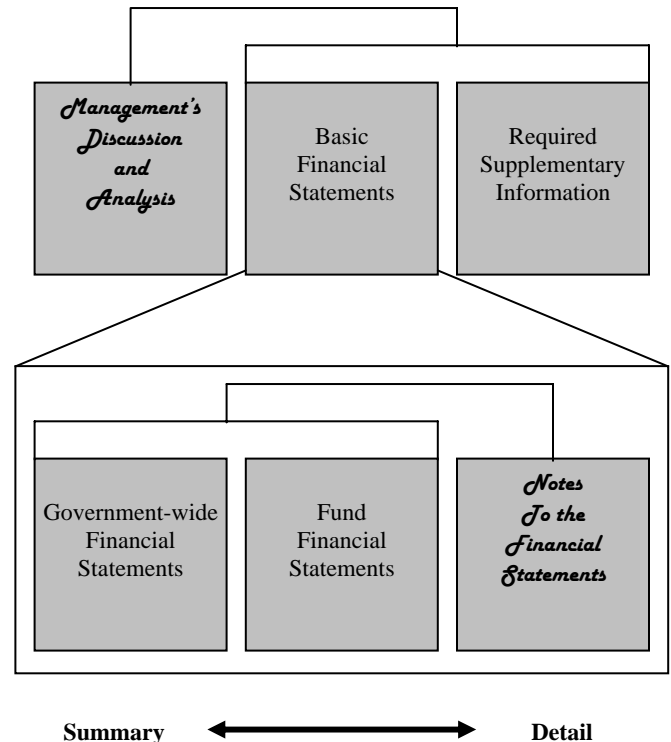
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Health Department.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1
Required Components of the
Health Department's Annual Financial Report

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Health Department's overall financial status.
 - The remaining statements are fund financial statements that focus on individual parts of the Health Department's operations, reporting the Health Department's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how government services like Health and Welfare were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with individual statements that provide details about our individual divisions of the Health Department each of which are added together and presented in single columns in the basic financial statements. Figure A-2 summarizes the major features of the Health Department's financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2
Major Features of Health Department's Government-wide and Fund Financial Statements

	<u>Government-wide Statements</u>	<u>Fund Statements Governmental Funds</u>
Scope	Entire Health Department government (except fiduciary funds)	The activities of the Health Department that are not proprietary or fiduciary, such as Health and Welfare
Required financial	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

The government-wide statements report information about the Health Department as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The two government-wide statements report the Health Department's net assets and how they have changed. Net assets – the difference between the Health Department's assets and liabilities – is one way to measure the Health Department's financial health, or position.

- Over time, increases or decreases in the Health Department's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Health Department you need to consider additional nonfinancial factors such as changes in the federal and state funding and the condition of the economy.

The government-wide financial statements of the Health Department are:

- Governmental activities – Most of the Health Department's basic services are included here, such as Public Health, Home Health, and Environmental Health programs.

Fund Financial Statements

The fund financial statements provide more detailed information about the Health Department's most significant funds-not the Health Department as a whole. Funds are accounting devices that the Health Department uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- Governmental funds – All of the Health Department's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health Department's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The Health Department operates with one fund, which is considered a governmental fund.

FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT AS A WHOLE

Net assets. The Health Department's combined assets increased by 12.05% between fiscal years 2006 and the year ended 2007 to \$3.7 million. (See Table A-1.)

Table A-1
Health Department's Net Assets

	Governmental Activities	
	2006	2007
Assets:		
Current assets	\$ 3,040,434	\$ 3,359,811
Noncurrent assets	<u>252,687</u>	<u>330,177</u>
Total Assets	<u>\$ 3,293,121</u>	<u>\$ 3,689,988</u>
Liabilities:		
Current liabilities	\$ 1,155,505	\$ 1,330,139
Noncurrent liabilities	<u>156,295</u>	<u>180,193</u>
Total Liabilities	<u>1,311,800</u>	<u>1,510,332</u>
Net assets		
Invested in capital assets, net of related debt	40,442	78,699
Unrestricted	<u>1,940,879</u>	<u>2,100,957</u>
Total Net Assets	<u>\$ 1,981,321</u>	<u>\$ 2,179,656</u>

Net assets of the Health Department's governmental activities increased 10.0 percent or \$198,335. \$2.1 million of assets are not restricted as to the purposes for which they can be used. The remaining \$78,699 are invested in capital assets.

Changes in net assets. The Health Department's program revenues increased by 16.1 percent to \$7.1 million. (See Table A-2.) A majority of the Health Department's revenue (72.7%) comes from fees and collections.

The total cost of all primary activities increased 15.8 percent. The Health Department's expenses cover salaries, fringes, supplies, debt payments, and other expenses.

Table A-2 and the narrative that follows consider the operations of governmental-type activities.

Governmental Activities

Table A-2
Changes in Health Department's Net Assets

	Governmental Activities	
	2006	2007
Program Revenue		
Charges for Services	\$ 4,405,828	\$ 5,176,927
Operating Grants and Contributions	<u>1,710,678</u>	<u>1,926,086</u>
Total Program Revenues	<u>6,116,506</u>	<u>7,103,013</u>
Program Expenses		
Environmental/Public Health	614,129	583,986
Home Health	3,051,596	3,675,285
Community Health	2,247,927	2,612,014
Administration	12,041	-
Depreciation Expense – Unallocated	79,544	83,536
Interest Expense	<u>13,066</u>	<u>13,452</u>
Total Program Expenses	<u>6,018,303</u>	<u>6,968,273</u>
Net Program Revenues	<u>98,203</u>	<u>134,740</u>
General Revenues		
Interest Income	865	970
County Appropriations	50,000	-
Cigarette Tax	17,007	16,068
Other Revenue	<u>-</u>	<u>46,557</u>
Total General Revenues	<u>67,872</u>	<u>63,595</u>
Changes in net assets	166,075	198,335
Beginning Net Assets	<u>1,815,246</u>	<u>1,981,321</u>
Ending Net Assets	<u>\$ 1,981,321</u>	<u>\$ 2,179,656</u>

FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT'S FUNDS

As the Health Department completed the year, its governmental funds reported a fund balance of \$2.10 million. The primary reasons for the increase in fund balance is highlighted in the financial analysis of the Health Department.

Governmental Fund Revenues and Expenditures

Operating revenues for the Health Department increased by 16.13% and operating expenditures for the Health Department's governmental funds increased 15.68%.

Table A-3
Changes in Health Department's Fund Balance

	Governmental Operating Fund		Total Percentage Change 2006-2007
	2006	2007	
Revenues			
Intergovernmental			
Federal/State	\$ 1,244,455	\$ 1,493,459	20.01 %
Local	208,849	208,783	(.03) %
Charges for Services	4,405,828	5,176,927	17.50 %
Interest and Rents	865	970	12.14 %
Other	257,374	223,844	(13.03) %
Total Revenues	6,117,371	7,103,983	16.13 %
Expenditures			
Health and Welfare			
Current			
Salaries and Wages	2,635,564	2,913,466	10.54 %
Fringes	1,125,477	1,215,771	8.02 %
Supplies and Materials	782,579	1,199,895	53.33 %
Training	12,062	13,083	8.46 %
Contractual	740,546	804,028	8.57 %
Communications	63,450	70,323	10.83 %
Travel	163,831	191,020	16.60 %
Space	230,730	220,498	(4.43) %
Miscellaneous	346,814	429,673	23.89 %
Total Expenditures	6,101,053	7,057,757	15.68 %
Excess of Revenues Over (Under) Expenditures	16,318	46,226	183.28 %
Other Financing Sources			
Lease Proceeds	90,306	97,784	8.28 %
County Appropriations	50,000	-	(100.00) %
Cigarette Tax	17,007	16,068	(5.52) %
Total Other Financing Sources	157,313	113,852	(27.63) %
Excess Revenues and Other Financing Sources Over Expenditures	\$ 173,631	\$ 160,078	(7.81) %

Budgetary Highlights

Revenue exceeded budgeted amounts for collections and reimbursements due to increased service volumes. Capital lease proceeds also increased the positive variance.

Other budgeted line items varied in reasonable amounts from appropriated amounts. Over the course of the year, the Health Board amended the budget to reflect adjustments in revenues and expenditures that developed during the year.

CAPITAL ASSETS

At the end of 2007, the Health Department had invested \$330 thousand in capital assets, including furniture, equipment, and vehicles. (See Table A-4.) This amount presents a net increase (including additions and deductions) of \$77,490 or 30.67 percent, over last year.

Table A-4
Health Department's Capital Assets
(*net of depreciation*)

	<u>Governmental Activities</u>		<u>Total Percentage Change 2006-2007</u>
	<u>2006</u>	<u>2007</u>	
Land	\$ 2,190	\$ 2,190	-%
Equipment and furniture	250,497	270,648	8.04%
Vehicles	-	57,339	100.00%
Totals	<u>\$ 252,687</u>	<u>\$ 330,177</u>	<u>30.67%</u>

The principle change in capital assets consists of HomMed equipment lease purchases and vehicle purchases. More detailed information about the Health Department's capital assets is presented in Note E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In adopting the budget for fiscal year 2008, the Health Department considered the budgetary problems within the State of Michigan and their likely effects on grant funding, revenue sharing to the County and Medicaid payment rates.

CONTACTING THE HEALTH DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, regulators and creditors with a general overview of the Health Department's finances and to demonstrate the Health Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chippewa County Health Department in Sault Ste. Marie, MI 49783.

Basic Financial Statements

**Statement of Net Assets
September 30, 2007**

	Governmental Activities
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	
Unrestricted	\$ 927,537
Restricted	596,580
Accounts Receivable (net)	1,426,860
Due From Other Governments	50,603
Prepaid Expenses	358,231
	<hr/>
Total Current Assets	3,359,811
	<hr/>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation)	330,177
	<hr/>
Total Assets	\$ 3,689,988
	<hr/> <hr/>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 211,028
Accrued Payroll and Related Liabilities	410,946
Due to Other Governmental Units	72,599
Other Liabilities	17,766
Deferred Revenue	336,123
Compensated Absences	210,392
Capital Leases	71,285
	<hr/>
Total Current Liabilities	1,330,139
	<hr/>
Noncurrent Liabilities:	
Capital Leases	180,193
	<hr/>
Total Liabilities	1,510,332
	<hr/>
NET ASSETS:	
Invested in Capital Assets, net of related debt	78,699
Unrestricted	2,100,957
	<hr/>
Total Net Assets	\$ 2,179,656
	<hr/> <hr/>

Chippewa County Health Department

Statement of Activities For the Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Environmental Health	\$ 583,986	\$ 147,696	\$ 213,622	\$ (222,668)
Home Health	3,675,285	4,284,795	64,385	673,895
Personal Health	2,612,014	744,415	1,623,169	(244,430)
Administration	-	21	24,910	24,931
Depreciation Expense - Unallocated	83,536	-	-	(83,536)
Interest Expense - Unallocated	13,452	-	-	(13,452)
Total Governmental Activities	<u>\$ 6,968,273</u>	<u>\$ 5,176,927</u>	<u>\$ 1,926,086</u>	<u>134,740</u>
General Revenues:				
Interest Income				970
Cigarette Tax				16,068
Other Revenue				<u>46,557</u>
Total General Revenues				<u>63,595</u>
Changes in Net Assets				198,335
Net Assets - Beginning				<u>1,981,321</u>
Net Assets - Ending				<u><u>\$ 2,179,656</u></u>

Chippewa County Health Department

Balance Sheet September 30, 2007

ASSETS

Cash and Equivalents - Unrestricted	\$	927,537
Cash and Equivalents - Restricted		596,580
Accounts Receivable		1,426,860
Due From Other Governmental Units		358,231
Prepaid Expenditures		50,603
		<hr/>
Total Assets	\$	<u>3,359,811</u>

LIABILITIES AND FUND EQUITIES

Liabilities:

Accounts Payable	\$	211,028
Accrued Liabilities		410,946
Due to Other Governmental Units		72,599
Other Liabilities		17,766
Deferred Revenues		336,123
Compensated Absences		210,392
		<hr/>
Total Liabilities		<u>1,258,854</u>

Fund Equities:

Fund Balance		
Unreserved		
Undesignated		1,718,806
Designated		382,151
		<hr/>
Total Fund Equities		<u>2,100,957</u>

Total Liabilities and Fund Equities	\$	<u>3,359,811</u>
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Chippewa County Health Department

Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets For the Year Ended September 30, 2007

Total Governmental Fund Balance	\$ 2,100,957
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	330,177
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Present value of minimum lease payments are not available to pay for current period expenditures and therefore are not reported in the funds. (See Note L)	<u>(251,478)</u>
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Net Assets of Governmental Activities	<u>\$ 2,179,656</u>
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Chippewa County Health Department

Statement of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended September 30, 2007

Revenues:

Intergovernmental	
Federal/State	\$ 1,493,459
Local	208,783
Charges for Services	5,176,927
Interest and Rents	970
Other	223,844
	<hr/>
Total Revenues	7,103,983
	<hr/>

Expenditures:

Health and Welfare	
Current	
Salaries and Wages	2,913,466
Fringes	1,215,771
Supplies and Materials	1,199,895
Training	13,083
Contractual	804,028
Communications	70,323
Travel	191,020
Space	220,498
Miscellaneous	429,673
	<hr/>
Total Expenditures	7,057,757
	<hr/>

Excess of Revenues Over (Under) Expenditures	<hr/> 46,226 <hr/>
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Other Financing Sources:

Lease Proceeds	97,784
Cigarette Tax	16,068
	<hr/>

Total Other Financing Sources	<hr/> 113,852 <hr/>
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Excess of Revenues and Other Financing Sources Over (Under) Expenditures	160,078
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Fund Balance - Beginning of Year	<hr/> 1,940,879
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Fund Balance - End of Year	\$ 2,100,957
	<hr/> <hr/>

Chippewa County Health Department

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2007

Net Change in Fund Balance – Total Governmental Funds	\$ 160,078
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Amounts reported for governmental activities in the statements are different
because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$161,026) exceeded depreciation (\$83,536) in the current period.	77,490
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Governmental funds report lease proceeds as other financing sources and principal payments as expenditures. This is the amount by which lease proceeds (\$97,784) exceeded principal payments (\$58,551) during fiscal 2007.	<u>(39,233)</u>
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Change in Net Assets of Governmental Activities	<u>\$ 198,335</u>
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Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Chippewa County Health Department, (the “Health Department”) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Reporting Entity

The Chippewa County Health Department is a Blended Component Unit of the County of Chippewa, Michigan, the purpose of which is to provide limited health services to the residents of Chippewa County. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise the fund’s assets, liabilities, fund equity, revenues, and expenditures. The County Board appoints five members to the Health Board of which two to three are Commissioners and the other members are from the public.

B. Basic Financial Statements – Government-Wide Financial Statements

The Chippewa County Health Department’s basic financial statement is government-wide (reporting the Chippewa County Health Department as a whole). All the Chippewa County Health Department’s operations are classified as governmental activities.

In the Government-Wide Statement of Net Assets, the governmental columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Chippewa County Health Department’s net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Chippewa County Health Department first utilizes restricted resources to finance qualifying activities.

The Government-Wide Statement of Activities reports both the gross and net cost of the Chippewa County Health Department’s functions. The functions are supported by general revenues, (intergovernmental transfers, grants, user fees) and fees for services. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs by function are normally covered by general revenue.

The Government-Wide Statements focus is more on the sustainability of the Chippewa County Health Department as an entity and the change in net assets resulting from the current year’s activities.

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange are recognized in accordance with Governmental Accounting Standards Board Statement 33.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The statement of net assets and the statement of activities display information about the Health Department as a whole. The statements include all funds of the Department.

The Health Department first utilizes restricted resources to finance qualifying activities.

Capital assets are reported in the government-wide statements at historical cost. Capital assets include land, vehicles, machinery and equipment, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

Capital assets that are depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Health Department are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Health Department:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

The Special Revenue fund is the primary operating fund. It accounts for all financial resources of the Chippewa County Health Department.

The emphasis in fund financial statements is on the major funds in the governmental activities. Nonmajor funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. The Health Department only has one major fund – general operations.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

Government type activities in the government-wide financial statements are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Chippewa County Health Department as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements. Accumulated depreciation is reported on government-wide statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Vehicles	3 years
Furniture and equipment	5 years

Compensated Absences

The Health Department accrues vested or accumulated sick and vacation leave when earned by the employee.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**Cash and Investments**

Investments are reported at fair value, based on quoted market prices. All deposits are carried at cost. Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Health Department followed the allowance method in recognizing anticipated uncollectible accounts.

Prepaid Items

Payments made to vendors for insurance and rent that will benefit future periods are recorded as prepaid items. All other payments made to vendors for services that will benefit future periods are recorded as expenditures. These payments do not have a material effect on the financial statements.

Budgets and Budgetary Accounting

The Chippewa County Health Department follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Health Officer submits to the Chippewa County Health Department's Board of Health a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
- b. Opportunities exist for public comment during the budget process since all action by the Board of Health occurs in open public hearings.
- c. Pursuant to statute, prior to September 30th of each year, the budget for the ensuing year is legally enacted through adoption of the Annual Operating Budget.
- d. The general statute governing Chippewa County Health Department budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the Act and Board of Health policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Chippewa County Health Department's Board of Health, through policy action, specifically directs the Health Officer not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

- e. The Chippewa County Health Department adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Health, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH:

The balance sheet accounts and types of cash items are presented below:

Cash and equivalents- unrestricted	\$ 927,537	Petty Cash	\$ 350
- restricted	596,580	Demand deposits -	
		savings and checking	<u>1,523,767</u>
TOTALS	<u>\$ 1,524,117</u>		<u>\$ 1,524,117</u>

Interest rate risk. The Health Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Health Department turns over all monies not needed for immediate payables over to Chippewa County, which invests according to their investment policy.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Health Department has no investment policy that would further limit its investment choices.

Custodial credit risk. Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the Health Department will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the Health Department's \$1,523,767 investments, \$1,433,417 are not in the name of the Health Department, but in the name of Chippewa County.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Health Department's deposits may not be returned. State law does not require and the Health Department does not have a policy for deposit custodial credit risk. As of year end, \$169,101 of the Health Department's bank balance of \$273,484 was exposed to credit risk because it was uninsured and uncollateralized. The amount at risk relates to outstanding checks of \$183,139.

NOTE C - INVESTMENTS:

Statutory Authority

Michigan law (Public Act 20 of 1943, as amended) authorizes the Chippewa County Health Department to deposit and invest in one or more of the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- (c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in a.
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Mutual funds registered under the investment company act of 194, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- (h) Obligations described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (EX Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- (j) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Board of Health is authorized to designate depositories for CCHD funds, and funds are invested in accordance with State of Michigan statutory authority.

NOTE D - EMPLOYEE RETIREMENT:

Plan Description - Chippewa County Health Department of Chippewa County, Michigan participates in two statewide government agent multiple-employer public employee pension plans, which cover substantially all employees, including employees of the Chippewa County Health Department. Non-union employees are covered under a B-3 plan and union employees are covered under a B-2 plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way Street, Lansing, Michigan.

Funding Policy – The obligation to contribute and maintain the system for these employees was established by negotiation with the Health Department’s competitive bargaining units and personnel policy, which require employees to contribute based on gross wages by the Health Department only. The Health Department is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2006 is as follows:

General	5.74%
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Annual Pension Costs – For the year ended 2007, the Health Department’s annual pension cost of \$118,304 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as of December 31, 2005, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2006 is as follows:

	2004	2005	2006
Actuarial Value of Assets	\$ 4,379,448	\$ 4,578,204	\$ 4,872,308
Actuarial Accrued Liability	4,140,722	4,357,098	4,653,711
Unfunded (Over Funded) AAL	(238,726)	(221,106)	(218,597)
Funded Ratio	106%	105%	105%
Covered Payroll	1,193,666	1,223,138	1,635,573
UAAL as a Percentage of Covered Payroll	0%	0%	0%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 111,176	100%	0%
2005	107,994	100%	0%
2006	110,855	100%	0%

NOTE E - CAPITAL ASSETS:

A summary of capital assets is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments /Decreases</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,190	\$ -	\$ -	\$ 2,190
<i>Capital assets being depreciated:</i>				
Furniture & equipment	453,315	97,784	-	551,099
Vehicles	<u>72,655</u>	<u>63,242</u>	<u>(16,636)</u>	<u>119,261</u>
Subtotal	<u>525,970</u>	<u>161,026</u>	<u>(16,636)</u>	<u>670,360</u>
<i>Less accumulated depreciation on:</i>				
Furniture & equipment	(202,818)	(77,633)	-	(280,451)
Vehicles	<u>(72,655)</u>	<u>(5,903)</u>	<u>16,636</u>	<u>(61,922)</u>
Subtotal	<u>(275,473)</u>	<u>(83,536)</u>	<u>16,636</u>	<u>(342,373)</u>
Net Capital Assets Being Depreciated	<u>250,497</u>	<u>77,490</u>	<u>-</u>	<u>327,987</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 252,687</u>	<u>\$ 77,490</u>	<u>\$ -</u>	<u>\$ 330,177</u>
		Depreciation Expense - Unallocated	<u>\$ 83,536</u>	

NOTE F - CONTINGENT LIABILITIES:

The Chippewa County Health Department has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Health Department. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the Health Department at September 30, 2007.

NOTE G - FUND BALANCE DESIGNATED:

The fund balance is designated by \$20,000 to reflect monies designated for Hospice, by \$39,961 to reflect funds raised for maternal and infant support and breast cancer support, \$30,411 is designated for future vehicle purchases, \$272,883 to reflect monies designated for GASB 45, \$18,546 designated for future SHACC renovation and \$350 designated petty cash.

NOTE H - RELATED PARTY TRANSACTION:

The Health Department leases its building space from the County Building Authority. The rent is currently \$13,300 per month. The County appropriates funds to the department on an annual basis.

NOTE I - ACCOUNTS RECEIVABLE:

Accounts receivable of the Health Department by program as of September 30, 2007, is summarized as follows:

	Gross Accounts Receivable 09/30/07	Contractual Allowances	Credit Allowance	Net Accounts Receivable 09/30/07
Environmental Health	\$ 7,433	\$ -	\$ -	\$ 7,433
Personal Health	272,767	(57,151)	-	215,616
Home Health	1,266,155	(21,891)	(40,453)	1,203,811
TOTALS	<u>\$ 1,546,355</u>	<u>\$ (79,042)</u>	<u>\$ (40,453)</u>	<u>\$ 1,426,860</u>

NOTE J - DUE FROM GOVERNMENTAL AGENCIES:

Various government agencies reimburse the Health Department for services rendered or based on expenditures for public health programs.

At September 30, 2007, due from governmental agencies consists of the following:

Due from Schools	\$ 6,994
Due from State of Michigan	67,659
Due from Other Agencies	61,788
Due from Cost Settlement	217,231
Other	<u>4,559</u>
TOTAL	<u>\$ 358,231</u>

NOTE K - COMPENSATED ABSENCES:

The Health Department has a contingent liability for accumulated vested vacation benefits and accumulated sick leave benefits of its employees. As of September 30, 2007 the accumulated vacation and sick leave benefits were as follows:

Vacation	Sick Leave	Compensation Time	Total
<u>\$ 76,703</u>	<u>\$ 129,657</u>	<u>\$ 4,032</u>	<u>\$ 210,392</u>

NOTE K - COMPENSATED ABSENCES: (Continued)

Vacation and Sick Leave Policy – Vacation days earned depend on date of hire. Hired prior to January 1, 2000, you can earn a maximum of 27 days per year. Hired after January 1, 2000, the maximum cannot exceed 20 days.

Sick leave cannot exceed 29 days (232 hours). Employees can carryover up to 168 hours at the beginning of each calendar year, at which time they are given an additional annual allotment of 64 hours (8 days). They are paid at the end of the calendar year for any unused hours in excess of 168. This changes the calculation of the 50% payout amount for 5-9 years employment.

NOTE L - LEASE COMMITMENTS:

The Chippewa County Health Department currently leases space from the County Building Authority under a signed operating lease arrangement. The building rent is currently \$13,300 per month.

The Department also rents space under a cancelable lease from the Rudyard Cooperative for \$350 a month in Kinross.

The Department also rents equipment from Hommed, LLC for \$6,740 a month. Some portions of the lease are reimbursed.

The Department entered into several capital lease obligations as listed below:

	Phone Equipment	Hommed Equipment 2005	Hommed Equipment 2006	Hommed Equipment 2007
2008	\$ 7,060	\$ 35,640	\$ 20,880	\$ 24,360
2009		35,640	20,880	24,360
2010	-	20,791	20,880	24,360
2011	-	-	10,440	24,360
2012	-	-	-	20,302
Total minimum lease payment	7,060	92,071	73,080	117,742
Less amount representing interest	(165)	(8,360)	(7,390)	(22,560)
Present value of minimum and lease payments	\$ 6,895	\$ 83,711	\$ 65,690	\$ 95,182
% Interest	7.332%	7.517%	6.242%	9.0%
Payment	\$ 1,008	\$ 2,970	\$ 1,740	\$ 2,030

NOTE M - RISK MANAGEMENT:

Insured Risk –The Health Department is exposed to various risks related to torts; theft or damage and destruction of assets; errors and omission; disasters for which the Health Department carries commercial insurance and insurance with the County of Chippewa, Michigan's Insurance Fund. There has been no significant reduction in insurance coverage from the previous year. In addition, there have been no settlements in excess of coverage in any of the prior three fiscal years.

NOTE N - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The federal expenditures of the Department are included with the schedule of expenditures of federal awards of Chippewa County, Michigan.

NOTE O - POST-EMPLOYMENT BENEFITS:

The Department provides post retirement health care insurance to all retired employees of the government pursuant to the terms of personnel policy by a group insurance plan.

The Department funds 100% of the premiums of the policies on a pay-as-you-go basis. During 2007, the Health Department paid hospitalization premiums for qualified individuals of \$145,222. Actuarial valuations of estimated future cost were not available. At September 30, 2007, 17 retirees were receiving benefits.

NOTE P - EXCESS EXPENDITURES OVER APPROPRIATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Health Department's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is adopted at the functional level. During the year ended September 30, 2007, the Health Department incurred expenditures which were in excess of the amount appropriated.

Required Supplementary Information

Chippewa County Health Department

Statement of Revenues and Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary fund balance, October 1, 2006	\$ 1,544,959	\$ 1,627,250	\$ 1,940,879	\$ 313,629
Resources (inflows):				
Fees and Collections	4,745,025	5,046,727	5,013,940	(32,787)
Cost Settlements	159,528	153,642	163,957	10,315
Other Funding	287,999	215,366	223,844	8,478
State Funding	678,221	677,423	691,215	13,792
State - Cost Sharing	280,204	280,204	279,570	(634)
State supplied Vaccines	-	-	522,674	522,674
County Appropriation	-	-	16,068	16,068
Contracts and Reimbursements	175,920	211,481	208,783	(2,698)
Lease Proceeds	-	-	97,784	97,784
Amounts available for appropriation	6,326,897	6,584,843	7,217,835	632,992
Charges to appropriation (outflows):				
Salaries and Wages	3,058,301	3,052,423	2,913,466	138,957
Fringes	1,308,257	1,343,723	1,215,771	127,952
Supplies and Materials	429,846	567,039	677,221	(110,182)
State Supplied Vaccines	-	-	522,674	(522,674)
Training	12,945	11,020	13,083	(2,063)
Consultant Services	44,790	60,146	71,673	(11,527)
Contractual	753,503	742,627	732,355	10,272
Communications	72,138	73,870	70,323	3,547
Travel	174,632	182,593	191,020	(8,427)
Space	230,100	230,713	220,498	10,215
ADP System	40,766	41,642	41,206	436
Miscellaneous	201,619	279,047	388,467	(109,420)
Total charges to appropriations	6,326,897	6,584,843	7,057,757	(472,914)
Budgetary fund balance, September 30, 2007	\$ 1,544,959	\$ 1,627,250	\$ 2,100,957	\$ 473,707

Other Supplementary Information

Chippewa County Health Department

Statement of Revenues, By Program Budget and Actual For the Year Ended September 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Administration	\$ 23,890	\$ 25,881	\$ 1,991
Shelter Management	2,350	2,324	(26)
Community Health & Safety	7,090	6,288	(802)
Food	105,455	100,921	(4,534)
Waste Management	114,728	111,819	(2,909)
Water Quality	97,949	90,897	(7,052)
Clean Beaches	8,778	8,778	-
Surface Water Inland Lakes	7,489	4,771	(2,718)
Sugar Island Sewage Issue	21,706	24,825	3,119
Sugar Island Township Park	-	9,118	9,118
Tattoo Ordinance	1,075	1,575	500
Immunization	254,415	746,417	492,002 *
STD	32,115	32,059	(56)
Other Comm Disease	99,640	96,617	(3,023)
Bioterrorism	200,228	206,203	5,975
BCCCP Combined	42,606	41,637	(969)
FP/BCCCP Joint Coordination	1,800	1,461	(339)
Colorectal Implementation	28,909	28,921	12
CSHCS	26,212	32,305	6,093
Family Planning	194,648	192,228	(2,420)
Healthy Kids	-	21	21
Well Women	13,500	18,662	5,162
Lamaze	10,326	2,582	(7,744)
M&CH, MSSP, & ISSP	304,178	319,289	15,111
Hearing	14,234	12,033	(2,201)
Vision	14,327	15,284	957
WIC & WIC Lactation	172,751	172,751	-
EPSTD Clinic	27,500	20,909	(6,591)
EPSTD Outreach	8,132	12,594	4,462
Tobacco Reduction	37,000	38,652	1,652
Car Seat Grant	4,932	3,312	(1,620)
SIG Grant	-	6,033	6,033
Substance Abuse Prevention	52,122	51,506	(616)
School/Nurse	49,055	52,372	3,317
School Based Clinic	227,899	266,625	38,726
Community Health Assessment	12,456	12,682	226
General Nursing	510	510	-
Private Duty Programs	497,750	447,240	(50,510)
Home Health	3,442,088	3,504,730	62,642 **
Hospice	425,000	495,003	70,003
TOTAL REVENUES	\$ 6,584,843	\$ 7,217,835	\$ 632,992

* \$522,674 of the immunization variance reflects the value of State supplied vaccines.

** \$97,784 of the variance reflects the value of a capitalized lease entered into for equipment.

Chippewa County Health Department

Statement of Expenditures, By Program Budget and Actual For the Year Ended September 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
Administration	\$ 93,949	\$ 28,787	\$ 65,162
Shelter Management	3,304	3,142	162
Radon Grant	1,342	549	793
Community Health & Safety	15,011	17,103	(2,092)
Food	171,154	163,498	7,656
Waste Management	221,374	189,686	31,688
Water Quality	176,970	142,656	34,314
Clean Beaches	9,885	6,726	3,159
Sugar Island Sewage Issue	11,753	10,524	1,229
Surface Water Inland Lakes	25,935	38,129	(12,194)
Sugar Island Township Park	-	9,588	(9,588)
Tattoo Ordinance	2,093	1,755	338
E.H. Administration	3,351	628	2,723
Immunization	268,695	788,189	(519,494) *
STD	32,115	32,059	56
Other Comm Disease	99,640	96,616	3,024
AIDS	3,220	3,583	(363)
Bioterrorism	200,228	208,159	(7,931)
BCCCP Combined	64,326	53,839	10,487
FP/BCCCP Joint Coordination	1,799	1,461	338
Colorectal Screening	-	7	(7)
Colorectal Implementation	32,368	29,824	2,544
CSHCS	26,213	32,710	(6,497)
Family Planning	194,648	191,395	3,253
Healthy Kids	1,681	744	937
Well Women	10,195	14,071	(3,876)
Lamaze	6,714	7,528	(814)
M&CH, MSSP, & ISSP	361,928	337,849	24,079
Hearing	15,667	13,825	1,842
Vision	18,839	16,847	1,992
WIC & WIC Lactation	262,228	233,122	29,106
EPSTD Clinic	30,819	24,254	6,565
EPSTD Outreach	16,264	25,187	(8,923)
Tobacco Reduction	37,002	38,642	(1,640)
Car Seat Grant	4,146	3,342	804
SIG Grant	-	6,033	(6,033)
Substance Abuse Prevention	59,776	59,288	488
School Nurse	61,575	57,231	4,344
School Based Clinic	285,964	308,904	(22,940)
Community Health Assessment	25,998	26,234	(236)
General Nursing	711	1,070	(359)
Private Duty Programs	582,055	493,304	88,751
Home Health	2,809,941	2,946,082	(136,141) **
Hospice	333,967	393,587	(59,620)
TOTAL EXPENDITURES	\$ 6,584,843	\$ 7,057,757	\$ (472,914)

* \$22,674 of the immunizations variance reflects the value of State supplied vaccines.

** \$97,784 of the variance reflects the value of a capitalized lease entered into for equipment.

Chippewa County Health Department

Administrative Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and collections	\$ 900	\$ 971	\$ 71
Local funds	22,990	24,910	1,920
Total Revenues	23,890	25,881	1,991
EXPENDITURES:			
Salaries and wages	344,947	341,996	2,951
Fringe benefits	298,665	285,863	12,802
Supplies and materials	56,500	53,555	2,945
Training	1,400	535	865
Consultant services	13,000	13,351	(351)
Contractual	91,500	91,256	244
Communications	17,400	17,321	79
Travel	(38,200)	(27,407)	(10,793)
Space	94,828	91,046	3,782
ADP system	18,488	18,548	(60)
Other	74,424	73,871	553
Overhead	(948,547)	(994,391)	45,844
Capital Outlay	69,545	63,242	6,303
Total Expenditures	93,950	28,786	65,164
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (70,060)	\$ (2,905)	\$ 67,155

Chippewa County Health Department

Environmental Health Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and collections	\$ 160,000	\$ 147,696	\$ (12,304)
State sources	64,154	71,790	7,636
State - cost sharing	142,466	141,832	(634)
Total Revenues	366,620	361,318	(5,302)
EXPENDITURES:			
Salaries and wages	314,883	284,521	30,362
Fringe benefits	134,050	115,775	18,275
Supplies and materials	5,302	3,817	1,485
Training	550	505	45
Consultant services	140	290	(150)
Contractual	24,050	21,727	2,323
Communications	5,250	4,908	342
Travel	26,090	22,341	3,749
Space	15,740	14,862	878
ADP system	24	-	24
Other	2,782	1,556	1,226
Overhead	113,311	113,684	(373)
Total Expenditures	642,172	583,986	58,186
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (275,552)	\$ (222,668)	\$ 52,884

Chippewa County Health Department

Home Health Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Lease Proceeds	\$ -	\$ 97,784	\$ 97,784
Fees and collections	4,305,918	4,253,440	(52,478)
Local funds	58,920	64,385	5,465
Cost settlements	-	31,363	31,363
Total Revenues	4,364,838	4,446,972	(15,650)
EXPENDITURES:			
Salaries and wages	1,488,907	1,454,365	34,542
Fringe benefits	557,787	487,497	70,290
Supplies and materials	315,175	353,907	(38,732)
Training	6,040	8,519	(2,479)
Consultant services	27,180	28,168	(988)
Contractual	500,000	509,169	(9,169)
Communications	35,352	31,708	3,644
Travel	164,485	170,057	(5,572)
Space	33,676	32,081	1,595
ADP system	15,170	15,459	(289)
Other	65,600	92,767	(27,167)
Capital Outlay	-	97,784	(97,784)
Overhead	516,591	551,490	(34,899)
Total Expenditures	3,725,963	3,832,971	(107,008)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 638,875	\$ 614,001	\$ (24,874)

Chippewa County Health Department

Personal Health Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and collections	\$ 579,909	\$ 611,833	\$ 31,924
Local funds	129,571	135,556	5,985
State sources	614,229	1,142,099	527,870 *
State - cost sharing	137,738	137,738	-
Cost settlements	152,682	132,594	(20,088)
Other grants & projects	215,366	223,844	8,478
Total Revenues	1,829,495	2,383,664	554,169
EXPENDITURES:			
Salaries and wages	903,686	832,584	71,102
Fringe benefits	353,221	326,636	26,585
Supplies and materials	190,062	788,616	(598,554) *
Training	3,030	3,524	(494)
Consultant services	19,826	29,864	(10,038)
Contractual	127,077	110,203	16,874
Communications	15,868	16,386	(518)
Travel	30,218	26,029	4,189
Space	86,469	82,509	3,960
ADP Systems	7,960	7,199	761
Other	61,385	59,245	2,140
Capital Outlay	6,537	-	6,537
Overhead	317,419	329,219	(11,800)
Total Expenditures	2,122,758	2,612,014	(489,256)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (293,263)	\$ (228,350)	\$ 64,913

* \$522,674 of the variance reflects the value of State supplied vaccines.

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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MEMBER AICPA
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MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Members of the Board of Health
Chippewa County Health Department
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities and major fund of the Chippewa County Health Department (a component unit of Chippewa County), as of and for the year ended September 30, 2007, which collectively comprise the Chippewa County Health Department's basic financial statements and have issued our report thereon, dated February 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Chippewa County Health Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Health Department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Health Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Health Department's financial statements that is more than inconsequential will not be prevented or detected by the Health Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Health Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chippewa County Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 07-1.

We noted certain matters that we reported to Management of the Chippewa County Health Department in a separate letter dated February 26, 2008.

The Chippewa County Health Department's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Chippewa County Health Department's response and, accordingly, we express no opinion on it.

Conclusion

This report is intended solely for the information and use of the Board of Health and management, and federal awarding agencies, pass-through entities and others within the organization. It is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

February 26, 2008

Financial Statement Findings**NONCOMPLIANCE WITH STATE STATUTES****Expenditures in Excess of Appropriations*****Finding 07-1***

Statement of Condition/Criteria: Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended September 30, 2007 the Health Department incurred expenditures in excess of amounts appropriated as follows:

<u>Fund/Function/Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Expenditures:			
Health and Welfare	\$ 6,584,843	\$ 7,057,757	(472,914)

Effect: The Health Department has not complied with various State Statutes.

Cause of Condition: Unknown

Recommendation: The Board should monitor and amend the budget as deemed necessary.

Management's Response—Corrective Action Plan: The budget was not amended for the value of State supplied vaccines of \$522,674. The budget will be amended in the future to reflect this value.

- Contact Person(s) Responsible for Correction:
Christine Lundquist, Director of Finance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT TO MANAGEMENT

Members of the Board of Health
Chippewa County Health Department
Sault Ste. Marie, MI 49783

We have audited the component unit financial statements of the Chippewa County Health Department for the year ended September 30, 2007, and have issued our reports thereon dated February 26, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts including fraud and defalcations may exist and not be detected by us.

As part of our audit, we considered the internal control of the Chippewa County Health Department. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Chippewa County Health Department's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Chippewa County Health Department are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Chippewa County Health Department during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing these historical data provided by management and using this data to compute the estimates.

The allowance for uncollectible accounts receivable is an estimate. It was calculated based on historical collection results. Cost report settlements are also estimates based on preliminary cost report calculations. Lives of capital assets are estimated by management.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Chippewa County Health Department's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgement, none of the adjustments we proposed, whether recorded or unrecorded by Chippewa County Health Department, either individually or in the aggregate, indicate matters that could have a significant effect on the Chippewa County Health Department's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Chippewa County Health Department or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Chippewa County Health Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements and other informational items we believe should be brought to your attention.

Payroll

It was noted during the testing of payroll that the Employment Eligibility Verification Form I-9 for several board members were not completed. We recommend that the personnel files for all current employees and board members, regardless of hire date, be reviewed to assure that every form is completed in its entirety according to the instructions outlined on the form.

Fraud Policy

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Check Images

Due to changes in bank practices, the Health Department does not receive canceled checks. The Health Department should contact the bank to obtain, "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

Vaccine Reporting

The Health Department prepares and submits monthly “Biological Inventory Reports” to the State of Michigan for the federally funded vaccines received and used. During our examinations of a sample of those reports, it was noted that the total ending of some vaccines of one month is not always the total beginning for the subsequent month. Upon further review, it was determined that when the vaccines lots are 100% used, the lot numbers are “in-activated” and are not indicated on the report. It is our recommendation that each month the ending should be the subsequent months beginning, even if subsequent month has a zero ending. This will allow for better accountability of the vaccines provided and used.

Status: This was corrected at the time of our audit.

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, with the Health Department required to implement the Statement for the year ended September 30, 2008. GASB Statement 45 is going to impact the future accounting of post-employment health insurance costs as it relates to the amount the Health Department will be required to fund these benefits. Beginning in fiscal year 2008, the Health Department will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The Board of Health as well as Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

Status: The Board has taken the steps to restrict some of the Agency’s cash and fund balance in anticipation of the implementation needs.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This information is intended solely for the information and use of management, the Board of Health, state awarding agencies, pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

February 26, 2008